

INNOVATION

A CREATIVE ALTERNATIVE TO LAY-OFFS

One cannot pick up a newspaper or listen to a business broadcast, without being greeted with the news of yet another corporate layoff or cutback. The economy fluctuates and before long, pink slips begin to fly. It seems the inevitable employment cycle. Is it any wonder that employees feel so little loyalty toward their employers?

Hard times bring difficult choices. With the squeeze on profits and stockholders anxiously watching, company leaders feel pressured to act quickly or bear the wrath of Wall Street. (Reactionary short term thinking has even begun influencing the leadership of privately held companies who have traditionally favored a long term growth and profitability mindset.) Certainly, they understand that such a response may be shortsighted, but investors do not like waiting for earnings statements to turn around. They have short fuses.

Is there an alternative? The answer is both "yes" and "no." In the short term, some cuts may be essential, but it is far better to use a scalpel, than an ax. Why? Your organization's long term future may well be on the line as a consequence of sweeping lay-offs. A few years ago, we were all fighting over the labor pool, vying for experienced and competent employees. If you thought the market for qualified workers was tight before, be advised that another shortage of skilled workers looms in the not so distant future as the current recession ends. In fact, a shortage in some specialties has already become evident. Between early retirements, both forced and voluntary, the large number of laid-off and terminated workers opting to become entrepreneurs and the shortage of skilled workers entering the workforce in the next few years, few employers will be unaffected in the future.

What does this have to do with the decisions you make now? Plenty! In an unstable economy, those individuals in danger of losing their jobs are as likely to be well trained as low skilled entry level workers. Cutting well-paid employees makes an immediate difference to the financial results, once the charge-off for their severance has been taken. But before the termination expenses have been

absorbed, will you find it necessary to hire them as independent contractors at yet a higher cost?

When the economy picks up and business levels increase, there may be little breathing time for ramping up employment before demand for highly skilled workers exceeds the supply. Those companies that have made a habit of wide-spread employee layoffs may find themselves at an extreme competitive disadvantage.

Severe cost-cutting measures in the form of job cuts can have a lasting impact, seriously undermining employee morale. Lay-offs usually equate to an increased workload and longer hours for those who remain.

When a corporation stoops to the "right-sizing" approach of targeting older, high level employees their reputation as trustworthy is lost. Obviously, senior employees cost more in salary as well as benefits such as health insurance, so cutting them makes substantial dent in the bottom line. Don't forget, however, that younger workers are watching and taking careful note. They are also asking themselves, "Will this be my fate if the economy slows again in ten or fifteen years?"

Corporations sending this jolting "human capital" message to younger employees through insensitive policies, may be in for a surprise. The younger people may not leave now, due to the recession. However, once the turnaround occurs, many of them will be on the look-out for a more secure future. Recent surveys show that 75% of the American workforce is unhappy with their present employer. When the marketplace recovers, some organizations will experience an exodus of highly skilled employees, who will then be at a premium.

If you want to avoid additional lay-offs, why not try a better alternative? Innovation! Significant cost reductions can be realized through innovative solutions. Sometimes our mindset is so limited by the way things have always been done that we forget to be creative. The process of innovation enables us to see new possibilities for gaining market-share. When we explore new ideas and strategies, we open the door to purposeful innovation. We can develop a team of experienced professionals collaborating from within the organization to solve existing problems and create new market initiatives. Through innovative, profit driven strategies, we will have the firepower and people we need to reposition our organization for sustainable success.

Any organization can cut its way to profitability in the short term, but long term

growth requires commitment, teamwork and continuing innovation.

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